

LCMS Foundation 2017 Investor Conference



March 2017



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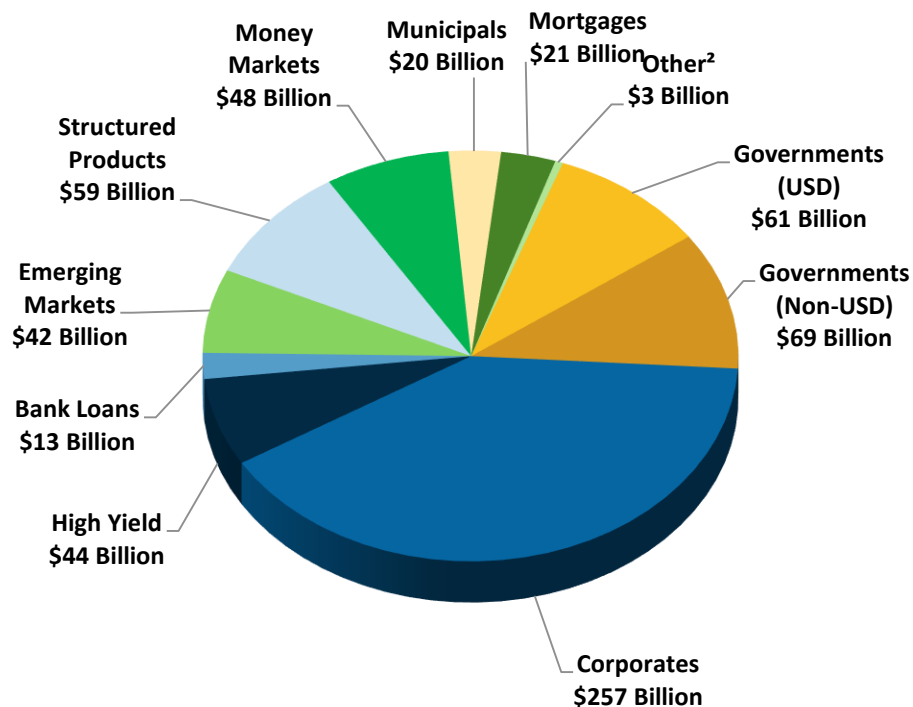
- 1** **Firm Overview**
- 2** **Core Fixed Income Strategy**
- 3** **Market Outlook**
- 4** **Reference**

1

Firm Overview



\$637 Billion in Assets Under Management¹



One of the Largest Fixed Income Managers³

- \$356 billion of third party assets
 - \$249 billion in institutional assets
 - \$107 billion in retail assets
- \$281 billion in proprietary assets

A Global Presence

- Managing assets for:
 - 520 clients worldwide
 - 92 Fortune 500 companies⁴
 - 41 of the 100 largest U.S. Pension Funds⁵
 - 13 Sovereign Wealth Funds/Central Banks
- Headquartered in U.S. (Newark, NJ) with offices in London, Tokyo, and Singapore⁶
- 261 investment professionals worldwide

¹ Assets for PGIM Fixed Income as of December 31, 2016. Asset class breakdown based on company estimates and is subject to change.

² Other includes Japanese equities and Japanese real estate equities.

³ Pensions & Investments, based on U.S. institutional tax-exempt assets under management as of December 31, 2015.

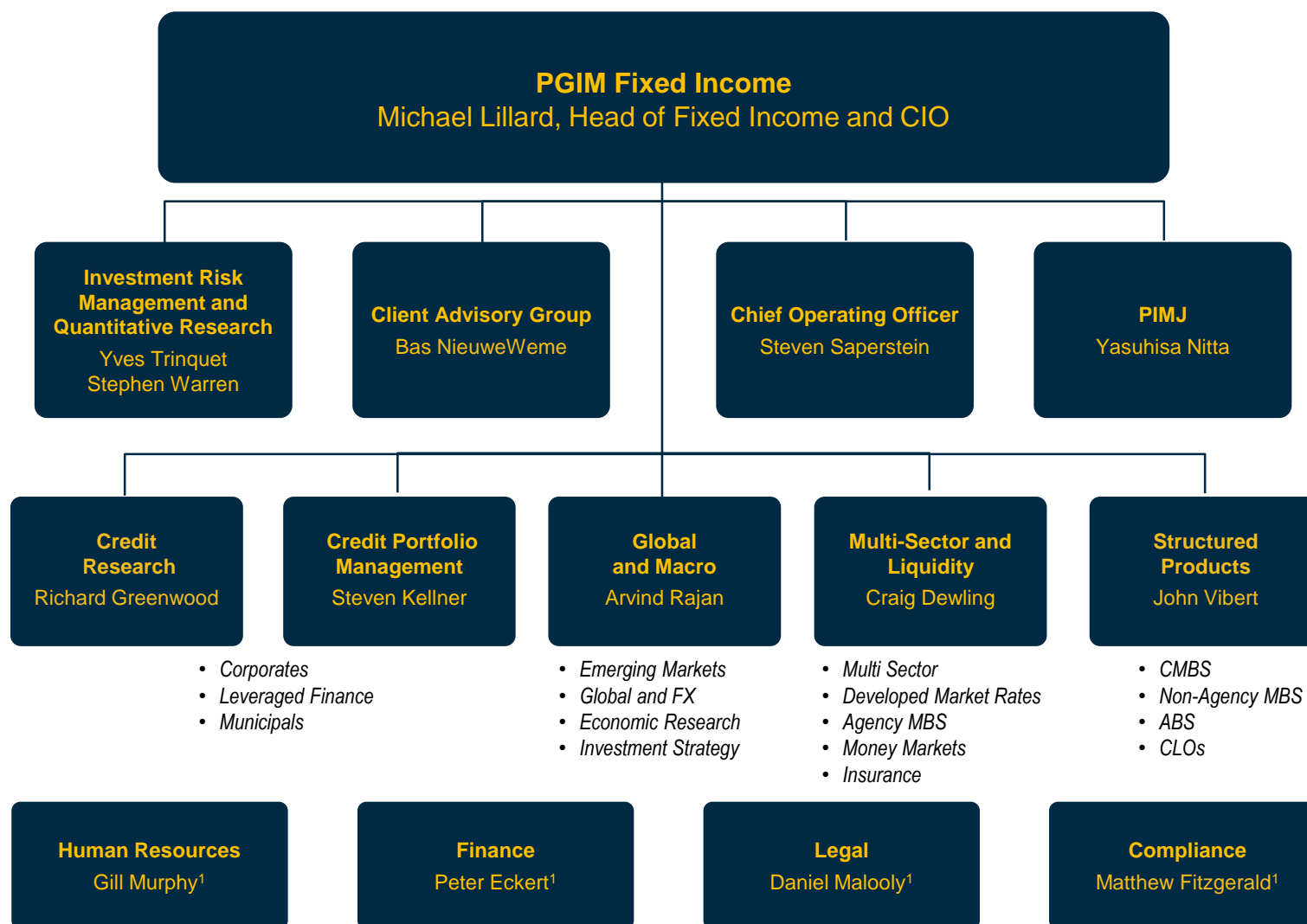
⁴ As of December 31, 2016. Source of Fortune 500 list: Fortune issued June 9, 2016.

⁵ As of December 31, 2016. Source of U.S. Pension Fund data: Pensions & Investments Top 1000 US Pension Funds, published February 6, 2017, and S&P's MMD Top 100 U.S. Pensions.

⁶ Affiliate offices of PGIM Fixed Income.



Deeply Resourced To Specialize



¹Dedicated functional teams that have a direct, independent reporting relationship to corporate senior management of the company.
As of March 2017.



Dedicated Specialist, Balanced Organization, Integrated Process

- 756 Employees Based Globally
 - 261 Investment Professionals
 - 114 Client Advisory Group Professionals
 - 253 Operations, Technology and Data Professionals
 - 83 Business Management, Finance and Administrative Staff
 - 45 Legal and Compliance Professionals





Continuity and Expertise

Team	Average Firm Tenure	Average Investment Experience
Portfolio Management ¹	17 Years	22 Years
Fundamental Research	12 Years	21 Years
Investment Risk Management & Quantitative Research	15 Years	23 Years

How This Benefits Our Clients...Stable Investment Teams Lead to Stable Processes Which Can Lead to Solid Performance

- Many of our investment professionals have over 20 years with the firm
- Long-standing relationships
- A collegial but challenging environment

Staff as of December 31, 2016. Principal and above.

¹Includes senior executives and product managers.

2

Core Fixed Income Strategy



Derive Returns from Consistent and Sustainable Sources

1 Resources and Presence to Source Ideas

- Our global presence provides a broad perspective of credit markets and our expertise spans multiple strategies
- 102 career analysts with senior analysts averaging 21 years investment experience

2 Broadly Diversified Portfolios Across Fixed Income Sectors, Industries, and Issuers

- We nimbly extract multiple sources of alpha through active allocations across spread sectors
- Intense focus on industry and issuer credit research
- A collaborative bottom-up, research-driven security selection process where managers and analysts make joint decisions

3 Emphasis on Quantitative Research and Risk Management

- Feedback and monitoring of active risk positions daily
- 41-member team focused on proprietary quantitative analytics, risk management, and performance attribution
- A quantitative modeling and risk management infrastructure and proprietary tools aid in alpha generation



Range of Broad Market Offerings

	Benchmark-Based Strategies		LIBOR-Based Strategies		
	Core	Core Plus	Absolute Return	Multi-Asset Credit	Unconstrained Bond
Objective¹	+60 bps over Bloomberg Barclays U.S. Aggregate Index	+150 bps over Bloomberg Barclays U.S. Aggregate Index	+300 bps over ML 3-Month LIBOR Index ²	+350 bps over ML 3-Month LIBOR Index ²	+400 bps over ML 3-Month LIBOR Index ²
Tracking Error vs. Benchmark	100 bps	250 bps	450 bps	600 bps	750 bps
Sources of Excess Return	<p>Security Selection 25 bps Duration/Curve/Currency 5 bps Sector Allocation 30 bps</p>	<p>Security Selection 40 bps Duration/Curve/Currency 40 bps Sector Allocation 70 bps</p>	<p>Security Selection 40 bps Duration/Curve/Currency 40 bps Sector Allocation 70 bps</p>	<p>Security Selection 100 bps Duration/Curve/Currency 35 bps Sector Allocation 215 bps</p>	<p>Security Selection 100 bps Duration/Curve/Currency 100 bps Sector Allocation 200 bps</p>
Strategy Inception Date	January 1, 1991	January 1, 1996	May 1, 2011	September 26, 2016	September 1, 2015
Investable Universe	Benchmark sectors only; if permitted, limited opportunistic allocations and derivatives	Benchmark sectors plus opportunistic allocation to non-benchmark sectors and derivatives.	All global fixed income sectors and derivatives	All global credit sectors, particularly below investment grade	All global fixed income sectors, interest rates, currencies and derivatives; opportunistic allocation to equities
Approach	Maximize excess return opportunities from diversified alpha sources across the full maturity spectrum	Maximize excess return opportunities from diversified alpha sources across the full maturity spectrum	Maximize absolute risk-adjusted return from "best ideas"	Maximize absolute risk-adjusted return from "best ideas in global credit" with a relative value emphasis	Maximize absolute risk-adjusted return from "best ideas"

For illustrative purposes only. ¹There is no guarantee that these objectives will be met. ²Source of benchmark: BofA Merrill Lynch, used with permission. BofA Merrill Lynch is licensing the BofA Merrill Lynch indices and related data "as is," makes no warranties regarding same, does not guarantee the suitability, quality, accuracy, timeliness, and/or completeness of the BofA Merrill Lynch indices or any data included in, related to, or derived therefrom, assumes no liability in connection with their use, and does not sponsor, endorse, or recommend PGIM Fixed Income, or any of its products or services.



Experienced and Stable Team

- Team averages 21 years investment experience and 18 years tenure with the firm
- Approach leverages firm's full resources
- \$75 billion in multi sector strategy assets

Senior Portfolio Managers

Michael Collins, CFA / Gregory Peters / Richard Piccirillo

Portfolio Construction

Sector Allocation

Michael Collins, CFA / Gregory Peters / Richard Piccirillo
Lindsay Rosner, CFA

Duration/Yield Curve/Currency

Robert Tipp, CFA

Security Selection

Governments/Agencies

Erik Schiller, CFA
Matthew Angelucci, CFA
Gary Wu, CFA

Agency Mortgages

Stewart Wong
David Brown
Andrew Harnischfeger, CFA

Investment Grade Corp

Malcolm Dalrymple (U.S.)
David Del Vecchio (U.S.)
Filippo Arcieri (Non-Dollar)

Structured Product

Peter Freitag, CFA
Thomas Chang, CFA
Edwin Wilches, CFA

Municipals

Susan Courtney
Lee Friedman, CFA

Emerging Market Debt

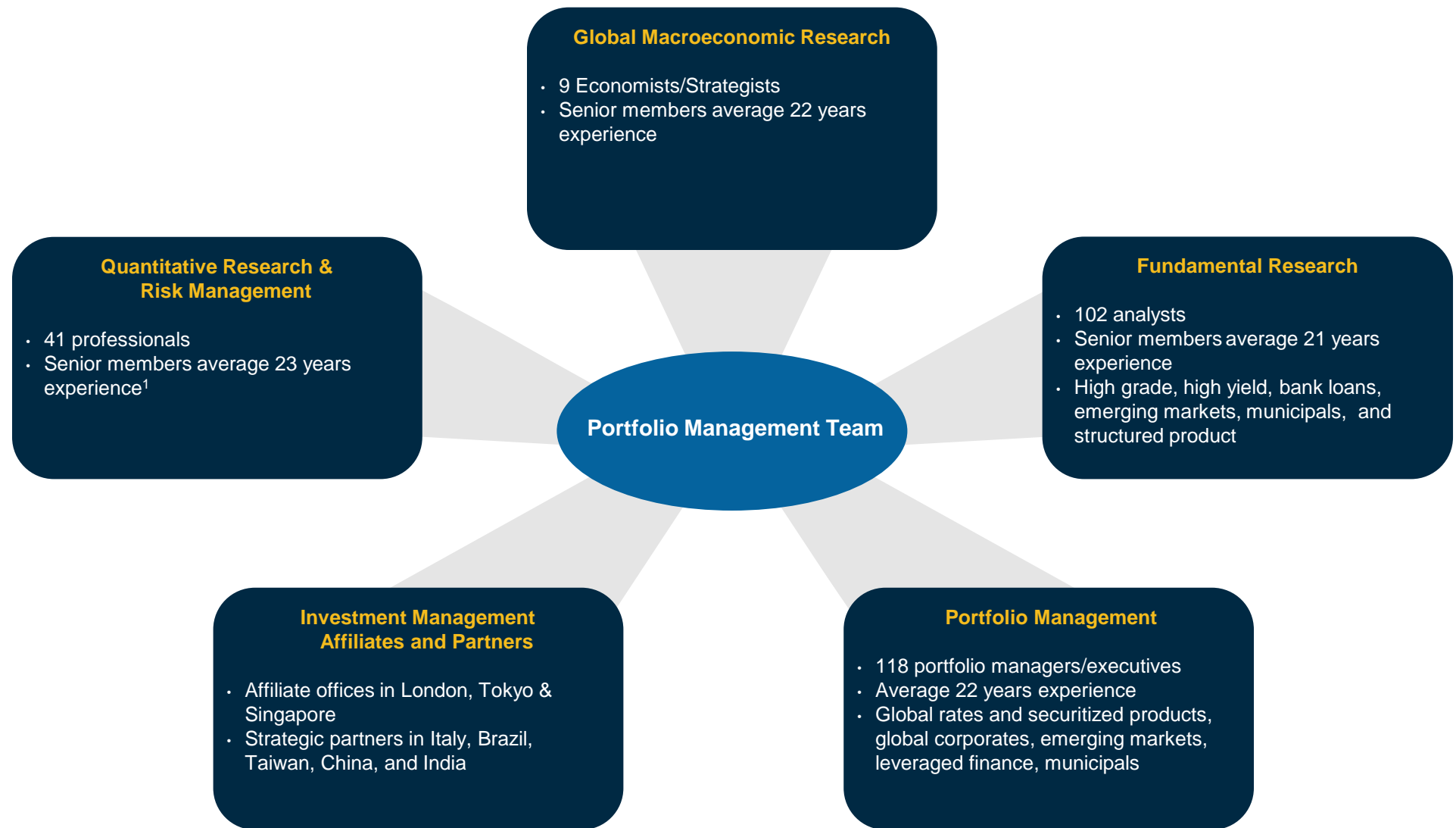
David Bessey
Johnny Mak

Global High Yield/Bank Loans

Terence Wheat, CFA
Daniel Thorogood, CFA



Extensive Resources Contribute to Strategy





Seek Sustainable Excess Returns with Manageable Downside Risk

Objective

- 60 bps over Bloomberg Barclays U.S. Aggregate Index¹

Approach

- Maximize excess return opportunities in your portfolio from sustainable sources
 - Sector allocation
 - Security selection
 - Duration and curve
- Monitor and manage risks daily
 - Well defined risk budget
 - Daily portfolio risk reporting and evaluation

Sources of Excess Return²

Sector Allocation	Subsector and Security Selection	Duration/Curve
30 bps	25 bps	5 bps

1. There can be no guarantee that this objective will be achieved.

2. On average, over a full market cycle defined as three to five years.



Rigorous, Structured Approach Has Led to Consistent Results

1

Senior investment team assesses global market environment

- Economic Research
- Sector Analysis

2

Senior portfolio managers constructs portfolio with sector specialist and analysts

Risk Budgeting

Establish risk targets within client's risk budget

Capture thresholds for systematic and idiosyncratic risks



Asset Allocation

Determine risk, sector, and term structure positioning

Incorporate themes given current market dynamics

Ideas from sector specialists are emphasized



Security Selection

Sector specialists and research analysts aligned by industry determine individual securities

Research-based approach

3

Senior portfolio managers and risk manager oversee risk positions



Step 1—Experienced Teams Assess Global Market Environment

Global Macroeconomic Assessment

Economics: Monitor evolving expectations and data surprises by analyzing underlying trends across countries and economies globally

Policy: Analyze fiscal and monetary policies for potential economic and market impact

- Chief Economist
- G10 Economist
- Latam Economist
- European Economist
- Asia Economist



Fixed Income Market Assessment

Global backdrop: Track global equities, commodities, currencies, and interest rates for leading indications of trends that may impact fixed income market

Current market environment: Investment themes, market opportunities, and key risks

- CIO
- Investment Strategist
- Research Heads
- Desk Heads
- Sr. PMs
- Economists
- Risk Manager



Global View



Step 2—Effectively Establishes Thresholds for Active Risk Versus the Benchmark

- Focuses risk in areas of highest potential reward
- Helps ensure diversified set of strategies
- Seeks to limit idiosyncratic issuer-specific risk

Core Fixed Income Strategy Risk Budget

Alpha Objective: 60 bps

Tracking Error Threshold: 100 bps ¹			
Curve/Currency/Sector/Quality 75 bps		Industry/Issuer 66 bps	
Systematic Risk Thresholds ²		“Tail” Risk Thresholds ³	
Yield Curve Exposure	25 bps	Industry Stress Exposure:	66 bps
Currency Exposure	0 bps	Liquidity Stress Exposure:	99 bps
Sector/Quality Exposure	75 bps	Issuer Exposure: ⁴	
		AAA/AA	2.00%
		A	1.75%
		BBB	1.50%

For illustrative purposes only. Note that the risk thresholds shown here are intended as a basis for discussion between the risk management and portfolio management teams. They are not intended to be absolute limits in a portfolio. All risk thresholds are subject to change. There can be no guarantee that this objective will be achieved. Please see the Reference section for important disclosures regarding the information contained herein.

1. Total tracking error is less than the sum of the systematic and non-systematic tracking error because these two major sources of tracking error tend to diversify with each other, thus lowering total tracking error. $\sqrt{75^2 + 66^2} = 100$
2. Under most market conditions, returns associated with these market risk factors tend to undergo small and independent day-to-day fluctuations, implying that mean and variance measures explain most of the distribution of returns therefore we manage these risks via tracking error measures.
3. These risk factors generally carry substantial skew or tail risk. Because returns from these items are not adequately described by mean and variance, we supplement tracking error measures with industry stress tests and issuer risk thresholds to monitor and manage the tail risk.
4. Issuer exposure is based on market implied ratings.



Step 2—Evaluate Individual Sector from Quantitative and Qualitative Relative Value Perspective

Senior Portfolio Managers

Allocation Inputs:

- Optimized results
- Quantitative and qualitative overlay

Client Specific Allocation:

- Risk positioning
- Sector Positioning
- Term structure

Sector Teams

Research-Based Security Selection:

- Global High Yield/Bank Loans
- Global Rates
- Structured Product
- Global Investment Grade Corporates
- Emerging Markets

All Portfolios Overseen Daily By Dedicated Risk Management Organization



Step 2—Research-Based Security Selection Is a Major Source of Value-Added

US Treasuries/ Agencies/Mortgages

Our Approach

- Quantitative
- Proprietary models identify relative value
- Portfolio managers provide technical view and implement relative value ideas

Corporate Bonds

Our Approach

- Fundamental
- Analysts cover 38 industries and 400 issuers
- Portfolio managers provide relative value and technical views on same issuers
- A joint recommendations list from which securities are selected

Structured Product (ABS, CMBS, CLOs)

Our Approach

- Fundamental + quantitative
- Two decades analyzing and managing structured product
- Higher quality, short-to-intermediate securities and credit-enhanced structures
- Views based on extensive collateral, structural and servicer analysis



Step 3—Daily Verification That Risk Exposures Are Consistent With Client's Risk/Return Objectives

Core Fixed Income Representative Portfolio As of December 31, 2016

	Curve					Currency			Spread				Total Systematic		Issuer	Industry	Total Non-System.	Total	Scenarios				
	Alpha Target	Curve Thres.	TE	PC1	PC2	Curr Thres.	TE	PC1	Spread Thres.	TE	PC1	STSR	Total System. Thres.	TE	TE	TE	TE	TE	LTCM	Credit Crunch	Sept. 11, 2001	Recession	EMG Shock
Portfolio	60	25	15	-15	0	0	0	0	75	65	-60	-66	75	67	16	27	32	74	-97	-978	-53	-85	2

Spread PCI Further Decomposed by Sector and Quality

	Diff Spread PC1	TSY	AGY	MBS	CMBS	ABS	AAA/AA	A	BBB	BB	B	<=CCC	EMG
Portfolio	-60	-2	0	2	-23	-8	2	-5	-28	0	0	0	1

Spread PC1 concentrated in structured products and corporates

- Risk Thresholds (Thres.):** Risk thresholds, as fully outlined in each portfolio's risk budget, address each significant dimension of risk. Thresholds are intended as a basis for discussion between risk management and portfolio management. Examples of discussion "triggers" would be if a portfolio's tracking error exceeded its risk threshold, approached its threshold, or was significantly under-risked versus its threshold.
- Tracking Error (TE):** Measures the expected variation (tracking error) of the portfolio's return versus its benchmark due to active positioning.
- Principal Components (PC):** While tracking error reflects the total portfolio versus benchmark volatility, principal components provide a decomposition of the total risk into independent "scenarios" or "factors" of risk. The first principal component represents the most statistically significant factor for each tracking error measure.
- Short Term Spread Risk (STSR):** While we view our tracking errors and principal components as "long-horizon" risk measures, we complement our long term risk measures with a "short term" spread risk measure. That is, for each security in the portfolio versus benchmark, we calculate the spread duration contribution multiplied by a measure of short-term volatility, namely, 35% of the current option-adjusted spread (OAS) level or [spread duration contribution x 35% x OAS].

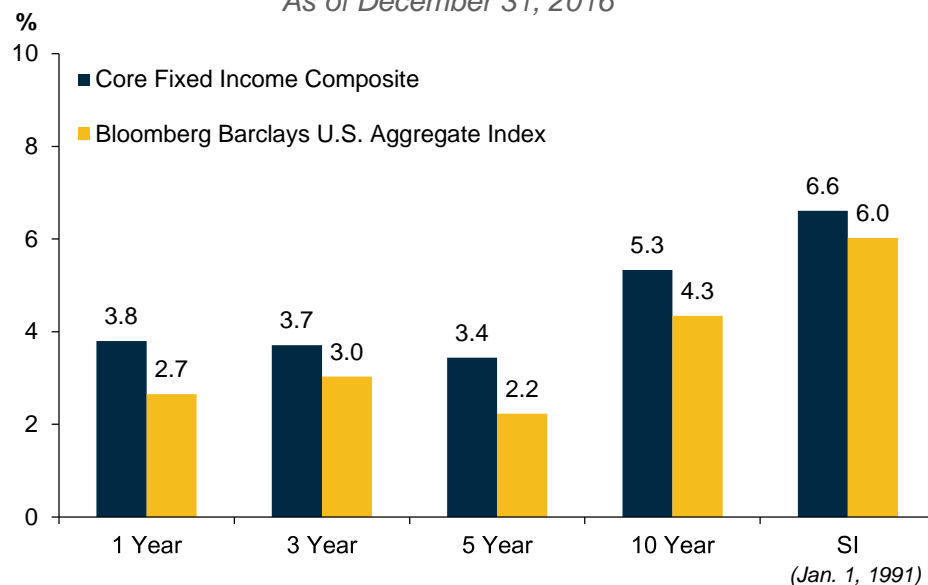
Source: PGIM Fixed Income, Supplemental Information. The above tables compare characteristics of the representative portfolio within the Core Fixed Income Composite relative to its benchmark. The data shown is subject to change and may not be indicative of future portfolio characteristics. Actual results may vary for each client due to specific client guidelines and other factors and should not be construed as investment advice. Please see the Reference section for important disclosures, including net returns and benchmark descriptions.



Investment Performance

Annualized Gross Returns

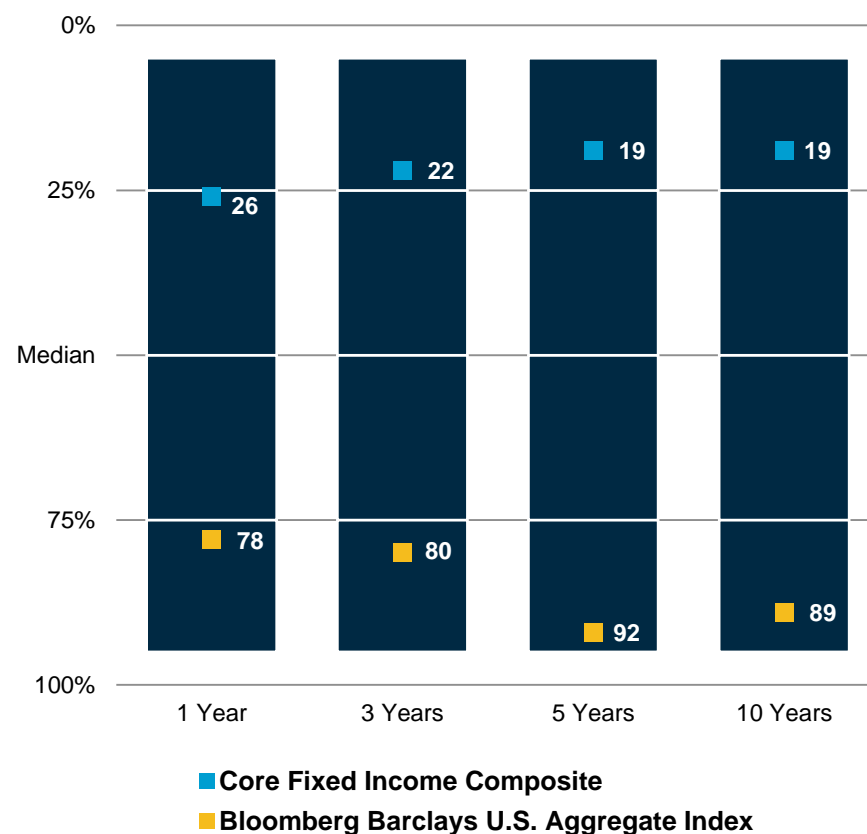
As of December 31, 2016



Gross Performance Statistics ²	1 Year	3 Years	5 Years	10 Year	SI
Excess Return (bps)	+115	+68	+121	+99	+59
Tracking Error (bps)	NM	35	50	134	93
Information Ratio	NM	1.89	2.35	0.71	0.60

Return Rankings vs. Peers¹

As of December 31, 2016



Source: PGIM Fixed Income. Source of benchmark: Bloomberg Barclays Indices. Past performance is not a guarantee or a reliable indicator of future results. By applying the highest standard advisory fee in effect over the life of the composite, the annualized since inception return ending December 31, 2016 would be reduced from 6.61% to 6.27%. Currently, the highest standard advisory fee is 0.28% and may have been higher or lower historically. Please see the Reference section for important disclosures, including net returns and benchmark descriptions. ¹Source of Peer Performance Data: eVestment. ²Periods ended December 31, 2016. Excess returns based on gross returns. Information ratio and tracking error are not meaningful (NM) for periods less than three years.



Performance Attribution is Critical Step of Investment Process

Performance Attribution Summary

Core Fixed Income Composite vs. Bloomberg Barclays U.S. Aggregate Index
As of December 31, 2016

Contribution (BP)	2016	2015	2014	2013	2012
Duration	+15	-1	0	+5	+3
Curve	-15	-3	+13	-9	+7
Sector Allocation	+72	-17	+9	+47	+109
Treasury	0	0	0	0	0
Sovereign	0	0	0	-1	0
Agency	0	0	-1	0	-3
MBS/CMO	+2	+2	-2	-1	0
CMBS	+26	-6	+12	+12	+63
ABS	+3	+1	+1	+1	+4
Municipals	+1	-1	0	+1	0
Investment Grade Corporate	+7	-12	-5	+14	+30
High Yield	+13	-4	+2	+18	+19
Bank Loans	+1	0	0	+1	+2
Emerging Market	-1	+3	+1	+2	-6
Security Selection	+39	+47	+35	+54	+149
Cash	+3	+1	+4	+6	+18
Treasury	+6	0	-8	-6	+7
Sovereign	0	0	0	0	0
Interest Rate Swaps	+4	-11	+2	+2	0
Agency	+3	+1	+1	0	0
MBS/CMO	+9	+2	+14	+5	+25
CMBS	-2	+10	+4	-5	-12
Non-Agency RMBS	+6	+4	+5	+10	+32
CDO ¹	+7	+3	--	--	--
Other ABS	+2	+3	+3	+1	+4
Municipals	+1	+1	0	+3	0
Investment Grade Corporate	+7	+26	+11	+36	+72
High Yield	-7	+6	0	-2	+2
Bank Loans	0	0	0	0	0
Emerging Market	0	+1	-2	+5	+2
Securities Lending	+2	+4	+6	+9	+28
Total Alpha²	+115	+30	+63	+106	+296

Source: PGIM Fixed Income. Supplemental information. The table above compares performance attribution of the Core Fixed Income Composite relative to its benchmark. Attribution is based on gross returns. May not sum due to rounding. Past performance is not a guarantee or a reliable indicator of future results. Please see the Reference section for important disclosures, including net returns and benchmark descriptions. ¹ Prior to June 2015, "CDO" was bucketed in "Other ABS". ² Reported alpha differs from internally calculated attribution primarily due to differences between internal and external pricing sources.



Portfolio Positioning

Current Themes

Corporates

- U.S. Economy should continue to grow moderately despite headwinds
- Credit fundamentals have become more challenging
- Emphasize banking and finance sectors
- Favor taxable municipals and select industrials

Mortgages

- Favor 30-year middle of the coupon stack

Structured Products

- Favor new production, AAA, private label CMBS and agency-backed CMBS
- Favor select AAA/AA CLOs and seasoned subprime

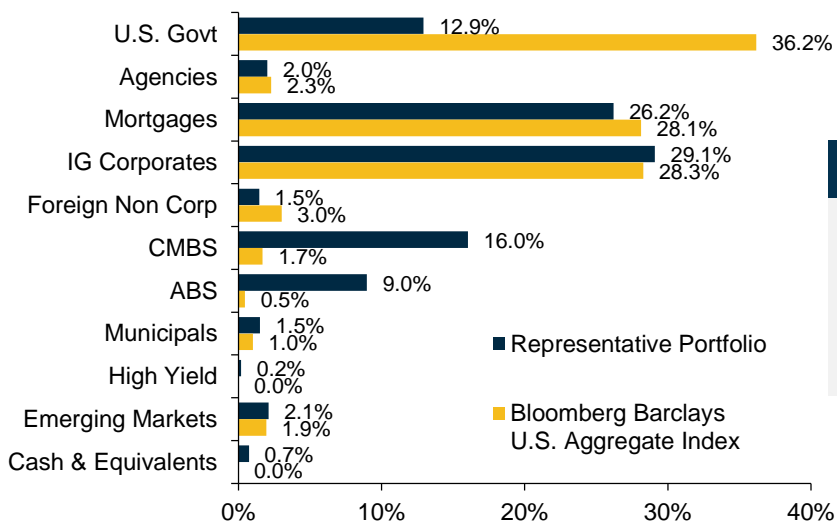
Governments

- Underweight government bonds

Representative Characteristics

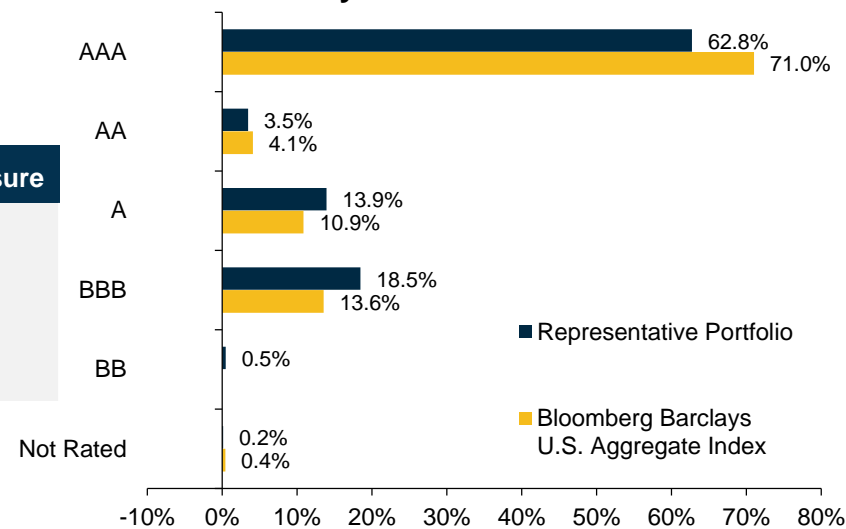
	Representative Portfolio	Bloomberg Barclays U.S. Aggregate Index
Effective Duration (years)	5.81	5.81
Effective Yield (%)	3.09	2.60
Average Quality (Moody's)	Aa2	Aa2
Option-Adjusted Spread (bps)	74	43
Number of Issuers	285	1454

Sector Allocation¹



Active Exposure	
Industrial	-1.2
Finance	+3.3
Utility	+0.3
Non Corp	-1.6

Quality Distribution²



As of December 31, 2016. Source: PGIM Fixed Income. Source of Benchmark: Bloomberg Barclays Indices. The above table and graph compare characteristics of the representative portfolio within the Core Fixed Income composite relative to its benchmark. The data shown is subject to change and may not be indicative of future portfolio characteristics. Actual results may vary for each client due to specific client guidelines and other factors and should not be construed as investment advice. Please see the Reference section for important disclosures, including net returns and benchmark descriptions. Current themes provided for discussion purposes only. Does not constitute a recommendation regarding the merits of any investments. Does not constitute investment advice and should not be used as the basis for any investment decision. Does not constitute a representation that the firm has purchased or would purchase any of the investments referenced or that any such investments would be profitable. ¹Excludes swaps. ²Quality ratings exclude cash, FX hedges and swaps and are reported as the middle of Moody's, S&P, and Fitch.

3

Market Outlook



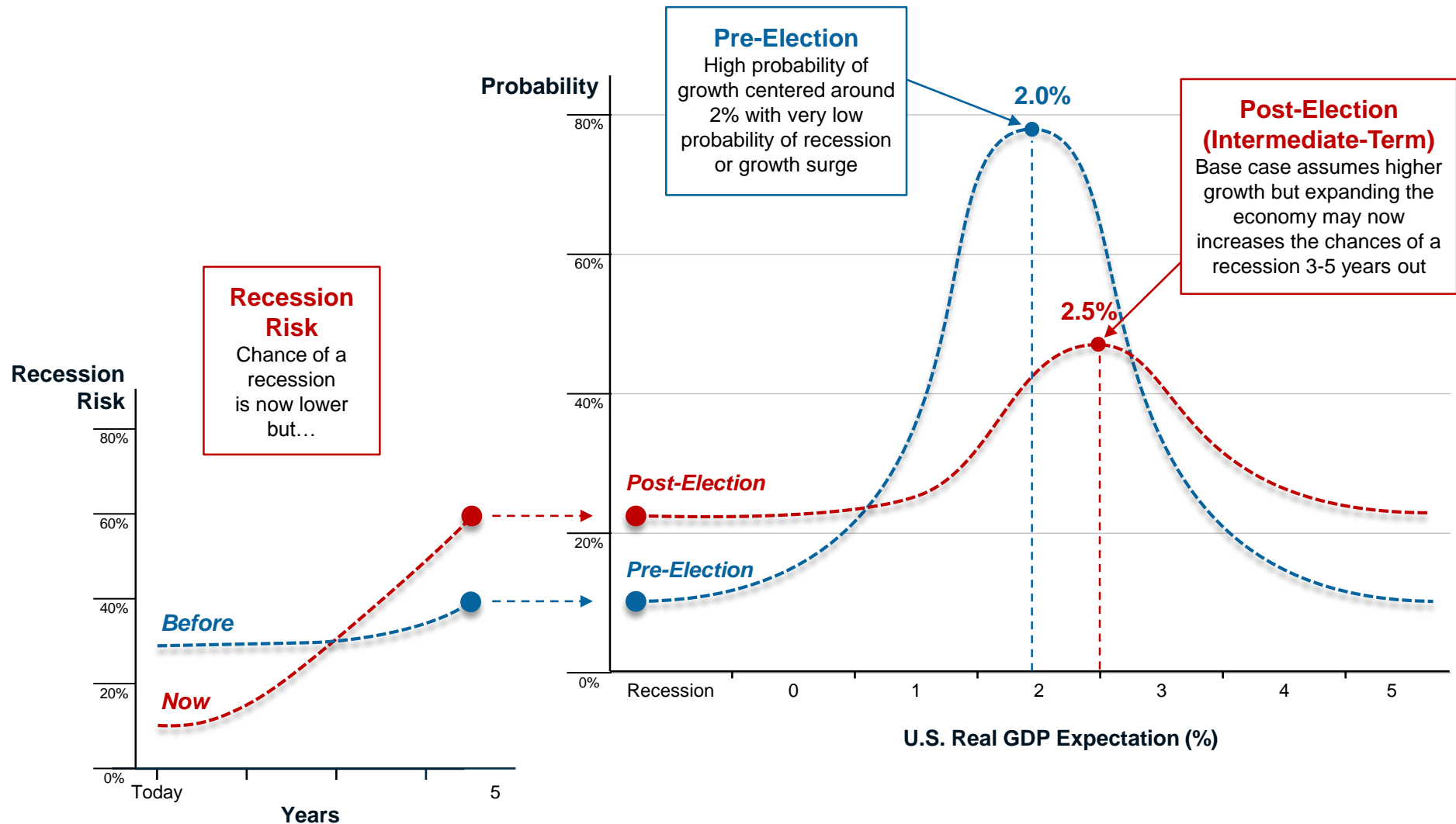
Policy Agenda	Proposal	Potential Economic Impact
Tax Reform	<ul style="list-style-type: none"> Business tax cuts and much simplified personal tax system Congress aiming for reforms to be revenue neutral over time, but on the assumption of positive macroeconomic feedback 	Positive for growth, but risk of increasing deficits
Corporate Taxes	<ul style="list-style-type: none"> Rate cut—35% to perhaps 20% Full expensing, but possible elimination of interest deduction Lower tax rate for repatriation of overseas profits¹ Border adjustments for exports and imports 	Incentivizes capex, buybacks, and dividends, reduces trade deficit, boosts the dollar, possibly inflationary
Personal Taxes	<ul style="list-style-type: none"> Reduce number of tax brackets from seven to three, repeal alternative minimum tax Raise standard deduction, lessening incentive to itemize deductions Repeal the estate tax 	Could broaden tax base, uncertain plus for labor supply
Deregulation	<ul style="list-style-type: none"> Deregulation—healthcare, energy, financial services, autos, labor market, and environment 	Lifts business sentiment
Healthcare Reform	<ul style="list-style-type: none"> Replace Affordable Care Act (ACA) with a more private-sector based system 	Positive for labor market ²
Infrastructure Spending	<ul style="list-style-type: none"> Public-sector spending, public/private partnerships, tax credits under discussion 	Marginally positive for growth
Defense Spending	<ul style="list-style-type: none"> Increase military spending 	Marginally positive for growth
Immigration Policy	<ul style="list-style-type: none"> Increase border security 	Some labor market tightening
International Trade Agreements	<ul style="list-style-type: none"> Focus expected on bilateral negotiations, rather than multilateral deals Breaches of existing trade deals also more likely to be addressed 	Growth impact uncertain, possibly inflationary
Foreign Policy	<ul style="list-style-type: none"> Defeating Islamic State; uncertainty on Iran deal, Russian ties, U.S. support for allies 	Higher geopolitical risk

Positive

Cautious



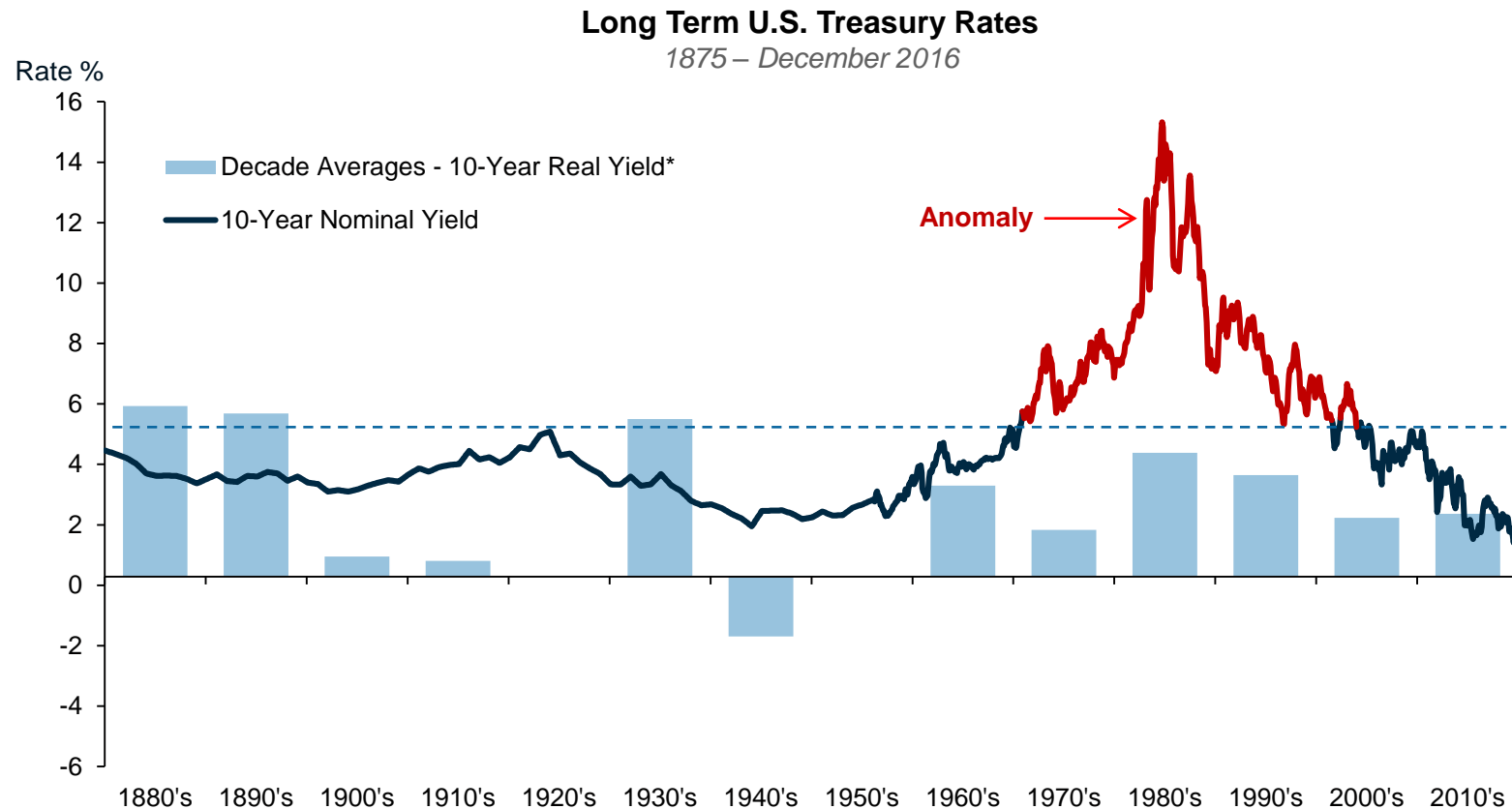
Growth Estimates and Uncertainty are Both Higher Than Prior to the U.S. Election



Source: PGIM Fixed Income. Represents conceptual depiction of market environments. Not based on actual data. For illustrative purposes only.



U.S. Treasury Rates Are at Historically Very Low Levels in Both Real and Nominal Terms



* Real Yield = 10-year nominal Treasury yield less the trailing 5-year moving average of the year over year change in CPI.

Sources: 1875-1961, Robert Shiller, Yale; 1962-Present, Bloomberg.

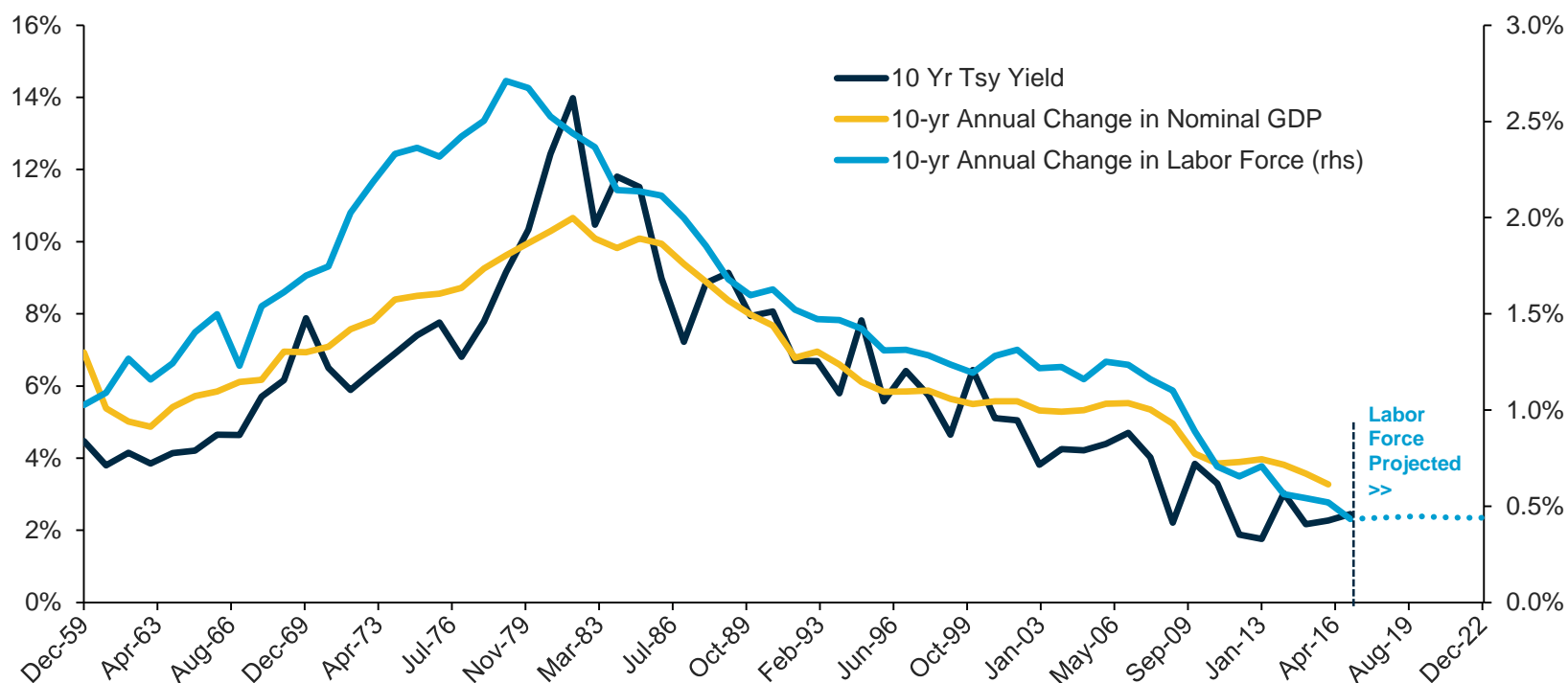
For additional information on our views on interest rates, please see our white paper titled "The Low Ranger" on www.pgimfixedincome.com.



Demographic Factors That Boosted Growth and Treasury Yield In The 1960s and 1970s Are Now Working In Reverse

10-Year U.S. Treasury Yields, GDP, & Labor Force

As of December 31, 2016

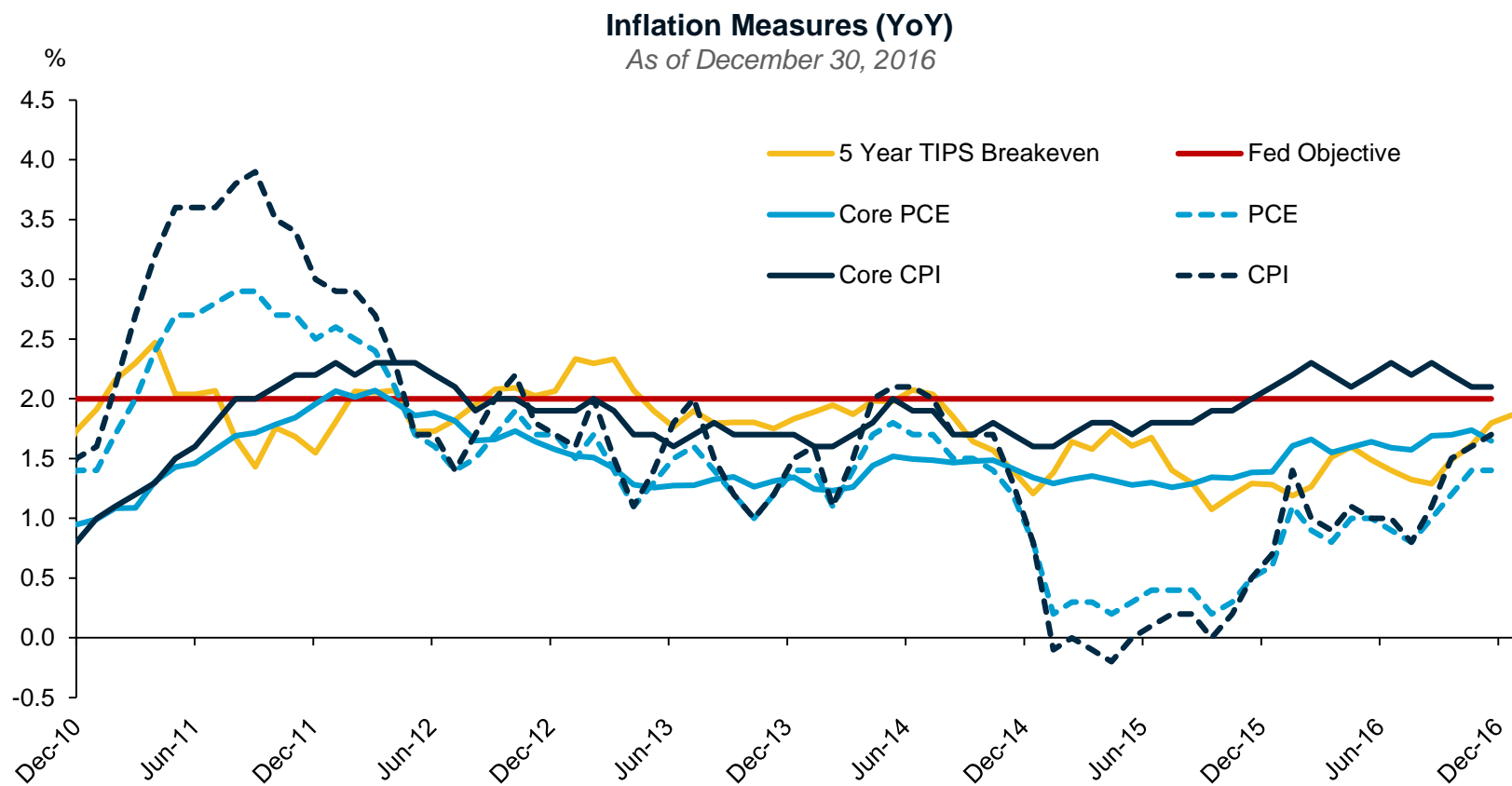


Greater demand for low volatility, income producing investments from aging population is also likely contributing to the secular decline in U.S. interest rates



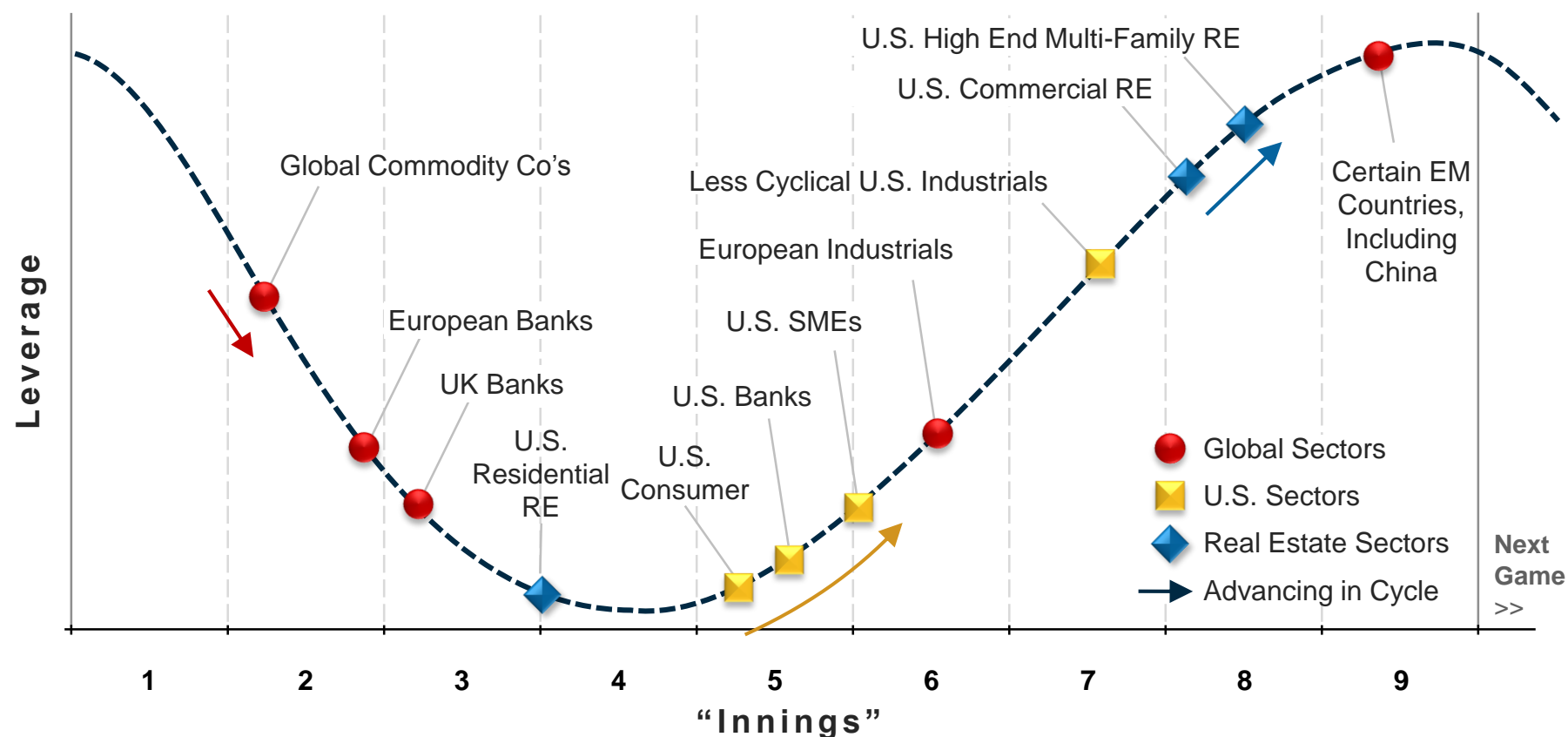
Inflation Remains Relatively Low, Although Core CPI is Now Over 2%

- Recent increases in energy prices also expected to lift headline inflation above 2%; if energy prices stabilize, this effect should prove temporary
- Sources of core inflation remain concentrated in housing and medical costs
- Elsewhere, inflation pressures are muted, driven by continued global excess capacity, technology, demographics, and constrained household borrowing capacity





Industries and Sectors Are At Different Innings of the Credit Cycle



Source: PGIM Fixed Income for illustrative purposes only as of January 31, 2017. For illustrative purposes only.

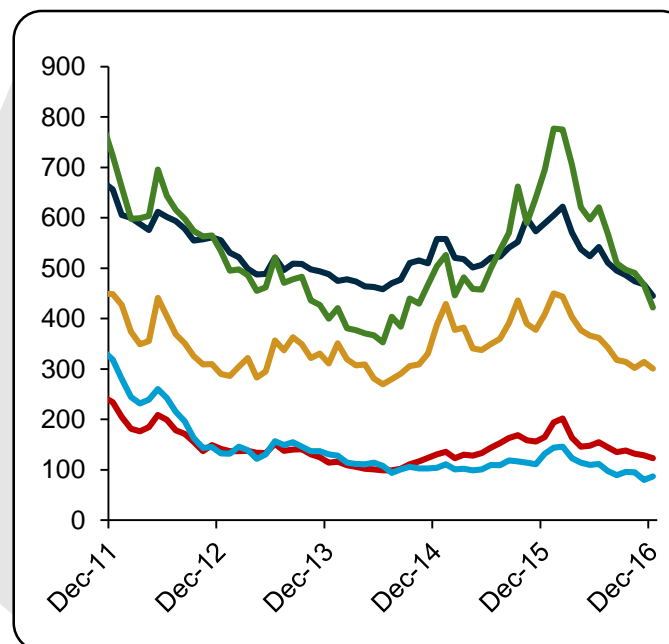
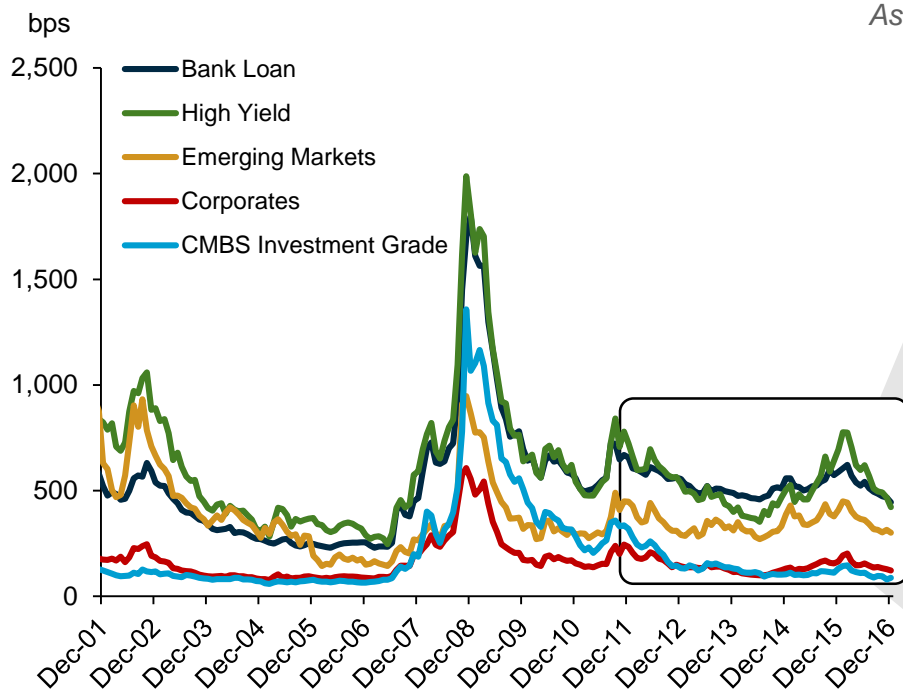


Technical Backdrop Likely to Spur Further Spread Tightening

- We believe fundamentals remain solid in many sectors
- Investors' need for income continues to provide additional support for spread sectors

Credit Spreads

As of December 31, 2016



Spreads (bps)	
Current	Pre Crisis Lows (5/31/07)
445	286
422	267
301	143
123	78
87	90

Source: Corporates, Emerging Markets, CMBS from Barclays. High Yield from BofA Merrill. Bank Loans from CSFB.
Loan data on a week lag.

4

Reference



Michael J. Collins, CFA, is a Managing Director and Senior Investment Officer for PGIM Fixed Income. He is also senior portfolio manager for Core Plus, Absolute Return, and other Multi-Sector Fixed Income strategies. Previously, Mr. Collins was a High Yield Portfolio Manager and Fixed Income Investment Strategist. He continues to work closely with the high yield team and other credit teams on portfolio strategy and construction. Earlier he was a credit research analyst, covering investment grade and high yield corporate credits. Additionally, he developed proprietary quantitative international interest rate and currency valuation models for our global bond unit. Mr. Collins began his career at the Firm in 1986 as a software applications designer. He received a BS in Mathematics and Computer Science from the State University of New York at Binghamton and an MBA in Finance from New York University. Mr. Collins holds the Chartered Financial Analyst (CFA) designation and is a Fellow of the Life Management Institute (FLMI).

Robert Felice, CFA, is Principal, Client Advisory for PGIM Fixed Income, responsible for new business development. Mr. Felice is focused on large US defined benefit plans, hedge fund of funds, endowments/ foundations, as well as the subadvisory space. He has more than twenty years of fixed income portfolio management experience. Mr. Felice joined the Firm in 2007 from Seix Advisors, where he was a Partner, Senior Portfolio Manager of fixed income total return and stable value separate accounts. Prior to joining Seix in 2000, Mr. Felice worked at PGIM Fixed Income for thirteen years as a portfolio manager for various fixed income strategies. Earlier, he was a financial analyst for Manufacturers Hanover Leasing Corporation. Mr. Felice received a BS in Finance from Villanova University, and an MBA from New York University. He holds the Chartered Financial Analyst (CFA) designation.



Our Best Ideas In Today's Market

March 2017 Views

Current Overweight Views	Current Underweight Views
Developed Market Sovereigns and Agencies	
<ul style="list-style-type: none"> U.S. Agency CMBS 	<ul style="list-style-type: none"> Developed Market Sovereigns U.S. Agencies U.S. Mortgage Backed Securities U.S. Interest Rate Swaps
Developed Market Corporates	
<ul style="list-style-type: none"> IG Corporates (U.S. Banks) Higher Quality High Yield 	<ul style="list-style-type: none"> Long Duration Single A and Above Industrials HY Energy and Commodity Corporates Select CCC High Yield Corporates High USD-Priced Bank Loans
Municipals	
<ul style="list-style-type: none"> High Quality Taxable Municipal Bonds (emphasizing revenue bonds over GO credits) 	
Structured Products	
<ul style="list-style-type: none"> AAA/AA CLOs (USD and EUR denominated) Subprime Residential Mortgages (e.g. vintage AAs, Senior re-securitizations) AAA CMBS 	<ul style="list-style-type: none"> Lower-Rated CLOs Lower-Rated CMBS
Emerging Markets	
<ul style="list-style-type: none"> Select EM Sovereigns Select EM Local Currency Bonds Select EM Corporates Select EM FX 	

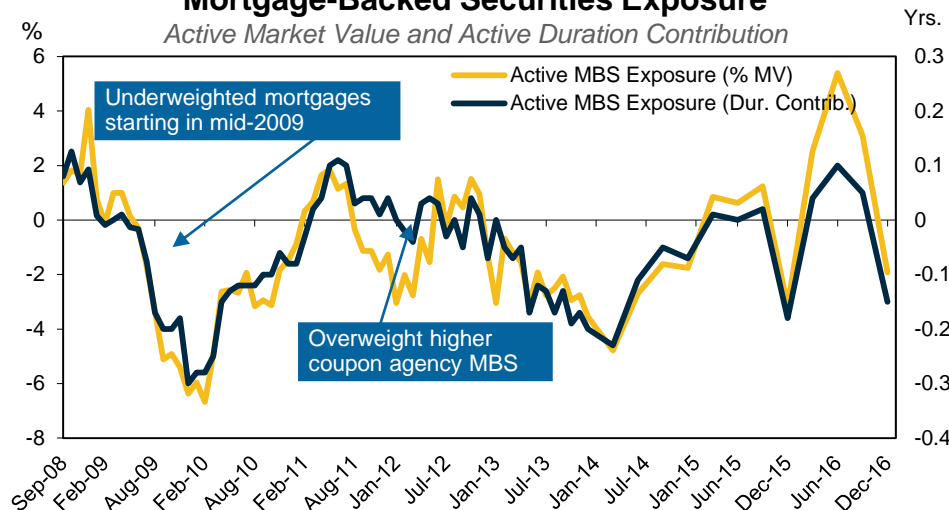
The views expressed above represent an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This information is strictly for illustrative and educational purposes and is subject to change. Does not constitute a recommendation regarding the merits of any investments. Does not constitute investment advice and should not be used as the basis for any investment decision. Does not constitute a representation that PGIM Fixed Income has purchased or would purchase any of the investments referenced or that any such investments would be profitable. Past performance is not a guarantee or a reliable indicator of future results. Source: PGIM Fixed Income.



Sector Allocations Actively Managed Throughout 2008 Crisis and Recovery

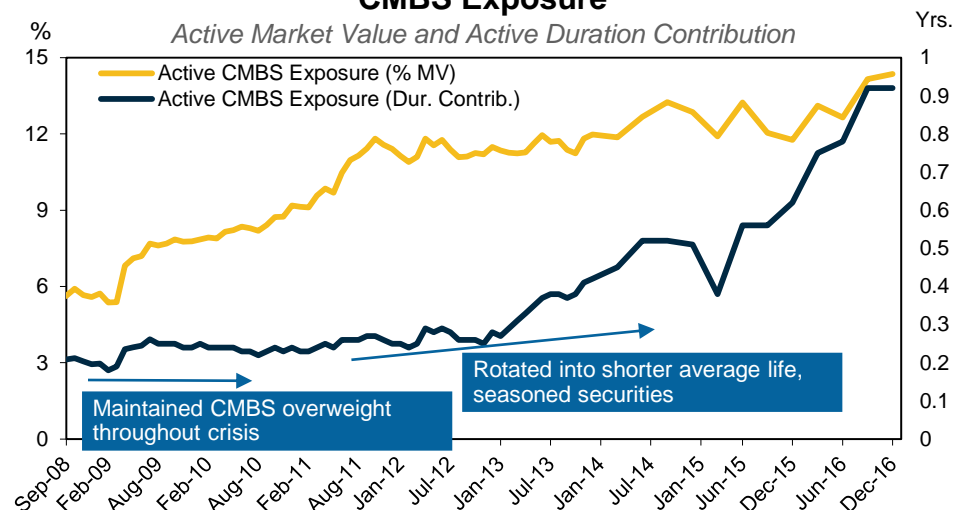
Mortgage-Backed Securities Exposure

Active Market Value and Active Duration Contribution



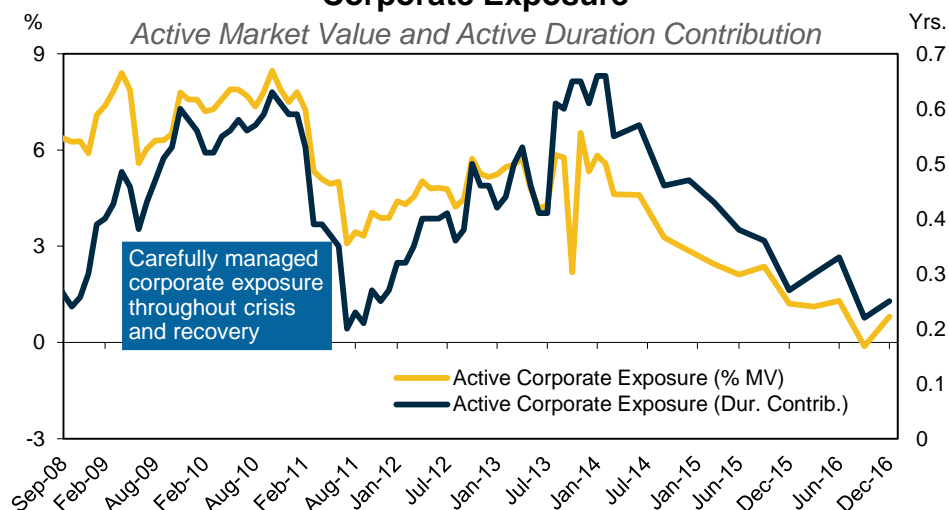
CMBS Exposure

Active Market Value and Active Duration Contribution



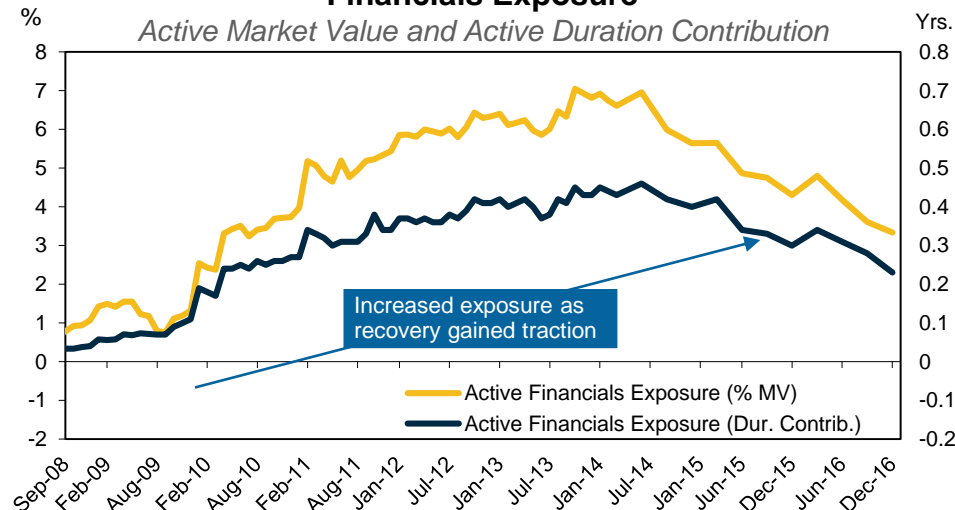
Corporate Exposure

Active Market Value and Active Duration Contribution



Financials Exposure

Active Market Value and Active Duration Contribution

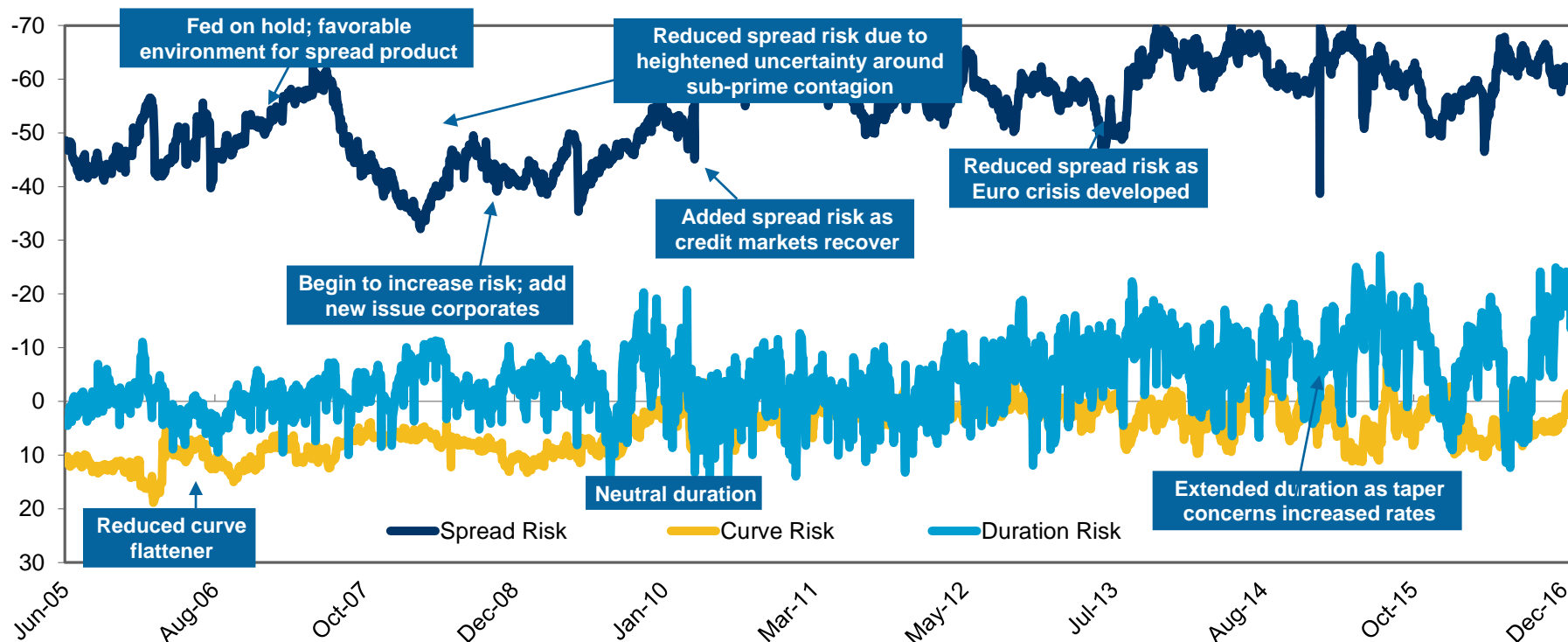


Source: PGIM Fixed Income. Supplemental Information. Active market value and duration contribution for the representative Core Fixed Income Portfolio (September 30, 2008 – December 31, 2016). Shown for illustrative purposes only. The data shown is subject to change and may not be indicative of future portfolio characteristics. Actual results may vary for each client due to specific client guidelines and other factors and should not be construed as investment advice. Please see the Reference section for important disclosures, including net returns and benchmark descriptions.



Portfolio Construction Decisions Affect Positioning Along Risk Spectrum

Evolution of Risk Over Time
Representative Broad Market Portfolio
(Spread, Yield Curve, and Duration)¹



As of December 31, 2016. Source: PGIM Fixed Income. Representative Core Fixed Income portfolio vs. Bloomberg Barclays U.S. Aggregate Index. Shown for illustrative purposes only. Please see the Reference section for important disclosures, including net returns and benchmark descriptions. ¹ Represents the principal component risk of tracking error.



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Gross returns do not reflect the deduction of investment advisory fees or other expenses it may incur in the management of its investment advisory account, but are after transaction costs. A client's return will be reduced by such advisory fees and other management expenses. For example, a 1.00% management fee deducted quarterly would result in the following cumulative compounded reduction in portfolio time-weighted rate of return: 1 year = 1.004%, 3 year = 3.042%, 5 year = 5.121% and 10 year = 10.5%. The investment advisory fees are described in Part 2A of the Adviser's Form ADV which is publicly available on the SEC's website at www.sec.gov, and available upon request. Fees may be higher for commingled accounts, insurance company separate accounts, and trust, corporate, or bank-owned life insurance products. Performance has been calculated in US dollars, unless otherwise noted in composite descriptions, and reflects the deduction of transaction costs and withholding taxes, if any, and the reinvestment of income.

Core Conservative Composite Net Disclosure—An investment management fee of 0.12% would have reduced the since inception annualized return ending December 31, 2016 from 6.69% to 6.58%.

Core Composite Net Disclosure—An investment management fee of 0.28% would have reduced the since inception annualized return ending December 31, 2016 from 6.61% to 6.27%.

Core Plus Composite Net Disclosure—An investment management fee of 0.30% would have reduced the since inception annualized return ending December 31, 2016 from 6.37% to 6.02%.

Absolute Return Composite Net Disclosure—An investment management fee of 0.40% would have reduced the since inception annualized return ending December 31, 2016 from 3.26% to 2.80%.

Corporate Fixed Income Composite Net Disclosure—An investment management fee of 0.30% would have reduced the since inception annualized return ending December 31, 2016 from 7.65% to 7.31%.

U.S. Senior Secured Loans (Unconstrained) Composite Net Disclosure—An investment management fee of 0.55% would have reduced the since inception annualized return ending December 31, 2016 from 5.02% to 4.44%.

Higher Quality High Yield Composite Net Disclosure—An investment management fee of 0.50% would have reduced the since inception annualized return ending December 31, 2016 from 7.91% to 7.38%.

Broad Market High Yield Composite Net Disclosure—An investment management fee of 0.50% would have reduced the since inception annualized return ending December 31, 2016 from 8.76% to 8.19%.

Long Duration (Government/Credit) Composite Net Disclosure—An investment management fee of 0.28% would have reduced the since inception return ending December 31, 2016 from 7.68% to 7.38%.

Corporate Fixed Income (Long Duration) Composite Net Disclosure—An investment management fee of 0.30% would have reduced the since inception annualized return ending December 31, 2016 from 9.54% to 9.21%.

Long Duration Custom LDI Composite Net Disclosure—An investment management fee of 0.30% would have reduced the since inception return ending December 31, 2016 from 7.34% to 7.03%.

European Corporate (USD Hedged) Composite Net Disclosure—An investment management fee of 0.30% would have reduced the since inception annualized return ending December 31, 2016 from 6.02% to 5.71%.

European Senior Secured Debt Composite Net Disclosure—An investment management fee of 0.55% would have reduced the since inception annualized return ending December 31, 2016 from 5.46% to 4.88%. Performance shown in EUR.

European High Yield Composite Net Disclosure—An investment management fee of 0.50% would have reduced the since inception annualized return ending December 31, 2016 from 9.80% to 9.25%. Performance shown in EUR.

Global Corporate Composite Net Disclosure—An investment management fee of 0.30% would have reduced the since inception annualized return ending December 31, 2016 from 4.52% to 4.21%.

Global High Yield (Euro Hedged) Composite Net Disclosure—An investment management fee of 0.55% would have reduced the since inception annualized return ending December 31, 2016 from 8.67% to 8.10%. Performance shown in EUR.

Global Senior Secured Loans Composite Net Disclosure—An investment management fee of 0.60% would have reduced the since inception annualized return ending December 31, 2016 from 6.57% to 5.93%.

Global Core Composite Net Disclosure—An investment management fee of 0.30% would have reduced the since inception annualized return ending December 31, 2016 from 4.40% to 4.03%.

Global Aggregate Plus Composite Net Disclosure—An investment management fee of 0.35% would have reduced the since inception annualized return ending December 31, 2016 from 6.64% to 6.16%.

Emerging Markets Debt Composite Net Disclosure—An investment management fee of 0.55% would have reduced the since inception annualized return ending December 31, 2016 from 12.20% to 11.47%.

Emerging Markets 50/50 Composite Net Disclosure—An investment management fee of 0.55% would have reduced the since inception annualized return ending December 31, 2016 from 6.06% to 5.39%.

Emerging Markets Local Currency Composite Net Disclosure—An investment management fee of 0.55% would have reduced the since inception annualized return ending December 31, 2016 from -0.87% to -1.46%.

Emerging Markets Corporate Debt Composite Net Disclosure—An investment management fee of 0.55% would have reduced the since inception annualized return ending December 31, 2016 from 3.56% to 3.00%.

U.S. Liquidity Relative Value Composite Net Disclosure—An investment management fee of 0.75% plus the actual incentive and certain other applicable fees and expenses would have reduced the since inception return ending December 31, 2016 from 8.03% to 5.12%.

Global Liquidity Relative Value Composite Net Disclosure—An investment management fee of 0.75% plus the actual incentive and certain other applicable fees and expenses would have reduced the since inception return ending December 31, 2016 from 10.96% to 7.94%.

Emerging Markets Debt Long/Short Composite Net Disclosure—An investment management fee of 0.75% plus the actual incentive and certain other applicable fees and expenses would have reduced the since inception return ending December 31, 2016 from 10.19% to 6.57%.

U.S. Liquidity Relative Value (S&P 500 Overlay) Composite Net Disclosure—An investment management fee of 0.75% plus the actual incentive and certain other applicable fees and expenses would have reduced the since inception return ending December 31, 2016 from 13.73% to 11.82%.



Bloomberg Barclays US Aggregate Bond Index (Bloomberg Barclays US Aggregate Index)

(Core Fixed Income, Core Plus, Core Conservative)

The Bloomberg Barclays US Aggregate Index covers the USD-denominated, investment-grade, fixed-rate or step up, taxable bond market of SEC-registered securities and includes bonds from the Treasury, Government-Related, Corporate, MBS (agency fixed-rate and hybrid ARM passthroughs), ABS, and CMBS sectors. Securities included in the index must have at least 1 year until final maturity and be rated investment-grade (Baa3/ BBB-/BBB-) or better using the middle rating of Moody's, S&P, and Fitch.

Merrill Lynch US Dollar 3-Month LIBOR Constant Maturity Index (ML 3-Month LIBOR Index)

(Absolute Return)

The Merrill Lynch US Dollar 3-Month LIBOR Constant Maturity Index tracks the performance of a synthetic asset paying LIBOR to a stated maturity. The index is based on the assumed purchase at par of a synthetic instrument having exactly its stated maturity and with a coupon equal to that day's fixing rate. That issue is assumed to be sold the following business day (priced at a yield equal to the current day fixing rate) and rolled into a new instrument. Source: BofA Merrill Lynch, used with permission. BofA Merrill Lynch is licensing the BofA Merrill Lynch indices and related data "as is," makes no warranties regarding same, does not guarantee the suitability, quality, accuracy, timeliness, and/or completeness of the BofA Merrill Lynch indices or any data included in, related to, or derived therefrom, assumes no liability in connection with their use, and does not sponsor, endorse, or recommend PGIM Fixed Income, or any of its products or services.

Bloomberg Barclays US Credit Bond Index (Bloomberg Barclays US Credit Index)

(Investment Grade Corporates)

The Bloomberg Barclays US Credit Index is comprised of the U.S. Corporate Index and the non-native currency subcomponent of the U.S. Government-Related Index. The U.S. Credit Index includes publicly issued U.S. corporate, specified foreign debentures and secured notes denominated in USD. Securities included in the index must have at least 1 year until final maturity and be rated investment-grade (Baa3/ BBB-/BBB-) or better using the middle rating of Moody's, S&P, and Fitch.

Credit Suisse Leveraged Loan Index (CS Leveraged Loan Index)

(US Senior Secured Loans)

The Credit Suisse Leveraged Loan Index is a representative, unmanaged index of tradable, US dollar denominated floating rate senior secured loans and is designed to mirror the investable universe of the US dollar denominated leveraged loan market. The Index return does not reflect the impact of principal repayments in the current month.

Bloomberg Barclays US Corporate High Yield Bond Index (Bloomberg Barclays US High Yield Index)

(Higher Quality High Yield)

The Bloomberg Barclays US Corporate High-Yield Index covers the USD-denominated, non-investment-grade, fixed-rate or step up, taxable corporate bond market. The index excludes Emerging Markets debt. Securities must be rated below investment-grade (Ba1/BB+/BB+ or below) using the middle rating of Moody's, S&P, and Fitch, and have at least 1 year until final maturity.

Bloomberg Barclays US Long Duration Government/Credit Index (Bloomberg Barclays US Long Govt/Credit Index)

(Long Duration Government/Credit, Long Duration Asset Liability Composite)

The Bloomberg Barclays US Government/Credit Index covers USD-denominated and non-convertible, publicly issued US Government or investment-grade securities that are fixed rate or step ups. Securities must have a maturity of 10 years or greater and be rated investment-grade (Baa3/ BBB-/BBB-) or better using the middle rating of Moody's, S&P, and Fitch.

Bloomberg Barclays US Long Corporate Bond Index (Bloomberg Barclays US Long Corporate Index)

(Long Duration Corporate)

The Bloomberg Barclays US Long Corporate Bond Index covers USD-denominated and non-convertible, publicly issued securities that are fixed-rate or step ups. Securities must have a maturity of 10 years and be rated investment-grade (Baa3/ BBB-/BBB-) or better using the middle rating of Moody's, S&P, and Fitch.

Client-Directed Liability Based Benchmark

(Long Duration LDI)

The customized benchmark for the Long Duration Custom Composite is the weighted average of each composite member's benchmark return rebalanced monthly. The benchmarks are market based indices/sub-indices constructed to reflect the liabilities of the portfolios. The benchmarks consists of various weights of the sub indices of the Bloomberg Barclays Intermediate (maturities from 1 up to but not including 10 years), and Long (maturities of 10+ years) Government/Credit and US Corporate Indices. All securities must be rated investment-grade (Baa3/ BBB-/BBB-) or above using the middle rating of Moody's, S&P, and Fitch.


iBoxx Euro Corporate Index 100% USD Hedged (iBoxx Euro Corporate Index (USD Hedged))

(European Corporate Fixed Income (USD Hedged))

The iBoxx EUR benchmark is made up of only fixed-rate bonds or step ups whose cash flow can be determined in advance. The indices are comprised solely of bonds. Treasury Bills and other money market instruments are not eligible. The iBoxx EUR indices include only Euro and legacy currency denominated bonds. Securities must be rated investment-grade (Baa3/ BBB-/BBB-) or above by at least one of the following rating agencies: Standard & Poor's, Moody's or Fitch and have at least 1 year until final maturity at the rebalancing date.

Credit Suisse Western European Leveraged Loan Index (EUR Hedged) (CS Western European Leveraged Loan Index (EUR Hedged))

(European Senior Secured Debt)

Credit Suisse Western European Leveraged Loan Index: All Denominations Euro Hedged. The Index is a representative, unmanaged index of tradable, floating rate senior secured loans designed to mirror the investable universe of the European leveraged loan market. The index is hedged to EUR. The Index return does not reflect the impact of principal repayments in the current month.

Merrill Lynch European Currency High Yield ex Finance 2% Constrained Index (ML Euro HY ex Finance 2% Constrained Index)

(European High Yield (Euro Hedged))

The Merrill Lynch European High Yield ex Finance 2% Constrained Index tracks the performance of EUR and GBP denominated below investment grade corporate debt publicly issued in the eurobond, sterling domestic or euro domestic markets. Qualifying securities must have a below investment grade rating and an investment grade country of risk. The index contains all non-Financial securities but caps issuer exposure at 2%. Source: BofA Merrill Lynch, used with permission. BofA Merrill Lynch is licensing the BofA Merrill Lynch indices and related data "as is," makes no warranties regarding same, does not guarantee the suitability, quality, accuracy, timeliness, and/or completeness of the BofA Merrill Lynch indices or any data included in, related to, or derived there from, assumes no liability in connection with their use, and does not sponsor, endorse, or recommend PGIM Fixed Income, or any of its products or services.

Bloomberg Barclays Global High Yield Index (Euro Hedged)

(Global High Yield (Euro Hedged))

The Bloomberg Barclays Global High Yield Index provides a broad-based measure of the global high yield fixed income markets. It includes U.S. high yield, Pan-European high yield, U.S. emerging markets high yield, and Pan-European emerging markets high yield indices. Securities included in the index must be fully taxable, have at least on year until final maturity, and be rated high yield (Ba/BB+/BB+ or below) using the middle rating of Moody's S&P and Fitch.

Bloomberg Barclays Global Aggregate Corporate Index Unhedged (Bloomberg Barclays Global Corporate Index (Unhedged))

(Global Corporate (Unhedged))

The Bloomberg Barclays Global Corporate Aggregate Index is a component of the Global Aggregate Index that includes the global investment-grade, fixed-rate or step up, taxable securities sold by industrial, utility and financial issuers. The three major components of this index are the U.S. Aggregate Corporate, the Pan-European Aggregate Corporate, and the Asian-Pacific Aggregate Corporate indices. The index also includes Eurodollar and Euro-Yen corporate bonds, Canadian corporate securities, and USD investment-grade 144A securities. Securities included in the index must have at least 1 year until final maturity and be rated investment-grade (Baa3/ BBB-/BBB-) or better using the middle rating of Moody's, S&P, and Fitch.

CS Blend Lev. Loan & West European Lev. Loan: Euro Denominated (USD Hedged)

(Global Senior Secured Loans)

The custom benchmark for this composite is comprised of the Credit Suisse Leveraged Loan Index and the Credit Suisse Western European Leveraged Loan Index Euro Denominated (hedged to USD) and is rebalanced monthly. As of December 31, 2015, the weights are 89% and 11%, respectively. The Credit Suisse indices are representative unmanaged indices of tradeable, floating rate senior secured loans designed to mirror the investable universe of the US and European Leveraged Loan markets.

Bloomberg Barclays Global Aggregate Bond Index USD Unhedged (Bloomberg Barclays Global Aggregate Index)

(Global Core, Global Aggregate Plus)

The Bloomberg Barclays Global Aggregate Index provides a broad-based measure of the global investment-grade fixed income markets. The three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices. The index also includes Eurodollar and Euro-Yen corporate bonds, Canadian government, agency and corporate securities, and USD investment-grade 144A securities. Securities included in the index must have at least 1 year until final maturity and be rated investment-grade (Baa3/ BBB-/BBB) or better using the middle rating of Moody's, S&P, and Fitch.


JP Morgan Emerging Markets Bond Index Global Diversified (JPM EMBI Global Diversified Index)
(Emerging Markets Debt)

The Emerging Markets Bond Index Global Diversified (EMBI Global) tracks total returns for USD-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, and Eurobonds. It limits the weights of those index countries with larger debt stocks by only including specified portions of these countries' eligible current face amounts of debt outstanding. To be deemed an emerging market by the EMBI Global Diversified Index, a country must be rated Baa1/BBB+ or below by Moody's/S&P rating agencies. Information has been obtained from sources believed to be reliable but J.P. Morgan does not warrant its completeness or accuracy. The Index is used with permission. The Index may not be copied, used, or distributed without J.P. Morgan's prior written approval. Copyright 2017, J.P. Morgan Chase & Co. All rights reserved.

Blend of JPM EMBI Global Diversified & GBI-EM Global Diversified
(Emerging Markets Blend)

The customized benchmark for this composite is an even blend of the JPMorgan Government Bond Index-Emerging Markets Global Diversified Index and the JPMorgan Emerging Markets Bond Index Global Diversified Index. The Government Bond Index-Emerging Markets Global Diversified Index (GBI-EM Global) tracks total returns for local currency bonds issued by emerging market governments while the Emerging Markets Bond Index Global Diversified (EMBI Global) tracks total returns for USD-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, and Eurobonds. It limits the weights of those index countries with larger debt stocks by only including specified portions of these countries' eligible current face amounts of debt outstanding. Information has been obtained from sources believed to be reliable but J.P. Morgan does not warrant its completeness or accuracy. The Index is used with permission. The Index may not be copied, used, or distributed without J.P. Morgan's prior written approval. Copyright 2017, J.P. Morgan Chase & Co. All rights reserved.

JPMorgan Government Bond Index-Emerging Markets Global Diversified Index (JPM GBI-EM Global Diversified Index)
(Emerging Markets Debt (Local Currency))

The Government Bond Index-Emerging Markets Global Diversified Index (GBI-EM Global) tracks total returns for local currency bonds issued by emerging market governments. Information has been obtained from sources believed to be reliable but J.P. Morgan does not warrant its completeness or accuracy. The Index is used with permission. The Index may not be copied, used, or distributed without J.P. Morgan's prior written approval. Copyright 2017, J.P. Morgan Chase & Co. All rights reserved.

JPMorgan Corporate Emerging Markets Bond Index Broad Diversified (JPM CEMBI Broad Diversified)
(Emerging Markets Corporate Debt)

The CEMBI tracks total returns of US dollar-denominated debt instruments issued by corporate entities in Emerging Markets countries. The CEMBI Broad is the most comprehensive corporate benchmark followed by the CEMBI, which consists of an investable universe of corporate bonds. Information has been obtained from sources believed to be reliable but J.P. Morgan does not warrant its completeness or accuracy. The Index is used with permission. The Index may not be copied, used, or distributed without J.P. Morgan's prior written approval. Copyright 2017, J.P. Morgan Chase & Co. All rights reserved.

3 Month LIBOR
(U.S. Liquidity Relative Value, Emerging Markets Long/Short)

3 Month LIBOR (London Interbank Offered Rate) rate is the stated rate of interest at which banks in the London wholesale money markets may borrow funds from one another for three months. The daily rate set by the Intercontinental Exchange Benchmark Administration Ltd ("IBA") set on the last day of each calendar month is used to derive the return for the upcoming month. Reset monthly for Emerging Markets Long/Short Composite and reset quarterly for US Government/Agency Long Short Composite.

Citigroup World Government Bond Index
(Former benchmark for Global Aggregate Plus)

Citigroup World Government Bond Index is a market-capitalization-weighted benchmark that tracks the performance of the government bond markets. The composition of the index consists of sovereign debt denominated in the domestic currency. Securities must be rated BBB-/Baa3 by Moody's or S&P.



Risk Definitions

Systematic Risk Definitions

- **Risk Thresholds (Thres.):** Risk thresholds, as fully outlined in each portfolio's risk budget, address each significant dimension of risk. Thresholds are intended as a basis for discussion between risk management and portfolio management. Examples of discussion "triggers" would be if a portfolio's tracking error exceeded its risk threshold, approached its threshold, or was significantly under-risked versus its threshold.
- **Curve TE:** measures the expected variation (tracking error) of the portfolio's return versus its benchmark due to changes in the term structure of interest rates. This measure includes the expected results of all curve effects.
- **Curve PC 1:** The first principal component of curve risk represents the variation of the portfolio versus its benchmark from the most statistically significant change in yield curve shape. It is analogous to, but not equal to, duration in traditional fixed income analytics.
- **Curve PC 2:** The second principal component of curve risk represents the variation of the portfolio versus its benchmark from the next most statistically significant change in yield curve shape.
- **Currency TE:** Measures the expected variation (tracking error) of the portfolio's return versus its benchmark due to changes in currency exchange rates.
- **Currency PC1:** The first principal component of currency risk represents the variation of the portfolio versus its benchmark from the most statistically significant change in foreign exchange rates.
- **Option adjusted spread (OAS):** Option-adjusted spread (OAS) is the yield spread which has to be added to a benchmark yield curve to discount a security's payments to match its market price, using a dynamic pricing model that accounts for embedded options.
- **Spread TE:** Measures the expected variation (tracking error) of the portfolio's return versus its benchmark due to changes in the term structure for spreads (credit spread, mortgage OAS, swap spreads, etc.).
- **Spread PC1:** The first principal component of spread risk represents the variation of the portfolio versus its benchmark from the most statistically significant change in the shape of the spread curve. It is analogous to, but not equal to, spread duration in traditional fixed income analytics.
- **Short Term Spread Risk (STSR):** While we view our tracking errors and principal components as "long-horizon" risk measures, we complement our long term risk measures with a "short term" spread risk measure. That is, for each security in the portfolio versus benchmark, we calculate the spread duration contribution multiplied by a measure of short-term volatility, namely, 35% of the current option-adjusted spread (OAS) level or [spread duration contribution x 35% x OAS].
- **Total Systematic TE:** Measures the expected variation (tracking error) of the portfolio's return versus its benchmark due to the combined effects of yield curve, currency and spread risks.

Non-Systematic Risk Definitions

- **Issuer TE:** Measures the expected variation (tracking error) of the portfolio's return versus its benchmark due to issuer exposure.
- **Industry TE:** Measures the expected variation (tracking error) of the portfolio's return versus its benchmark due to industry concentration.
- **Total Non-Systematic TE:** Measures the expected variation (tracking error) of the portfolio return versus its benchmark due the combined effects of issuer, industry and emerging market country exposure.

Total Risk Definition

- **Total TE:** Measures the expected variation (tracking error) of the portfolio's return versus its benchmark from both systematic and non-systematic sources
- **Scenarios:** Estimates performance of the portfolio versus its benchmark under a set of specific scenarios. Each scenario represents a possible outcome in the market and is defined by a shock in the yield curve, currency exchange rates and the term structure of spreads.



As of December 31, 2016

Year	Composite (Gross)	Composite (Net)	Benchmark	Composite 3 Year St Dev	Benchmark 3 Year St Dev	# of Portfolios	Internal Dispersion	Composite Market Value (000s)	Firm Assets Under Management (in billions)
2016	3.80%	3.51%	2.65%	3.01%	2.98%	14	0.18	\$11,973,704	\$637.20
2015	0.85%	0.57%	0.55%	3.00%	2.88%	15	0.13	\$12,107,985	\$574.77
2014	6.56%	6.27%	5.97%	2.81%	2.63%	15	0.31	\$11,547,961	\$543.29
2013	-0.96%	-1.24%	-2.02%	2.80%	2.71%	14	0.23	\$8,577,281	\$405.16
2012	7.17%	6.87%	4.21%	2.35%	2.38%	16	0.41	\$9,298,960	\$394.75
2011	8.11%	7.80%	7.84%	2.99%	2.78%	16	0.20	\$8,934,663	\$335.31
2010	8.87%	8.57%	6.54%	4.76%	4.17%	15	0.72	\$8,162,229	\$269.74
2009	14.22%	13.90%	5.93%	4.66%	4.11%	15	2.29	\$8,192,618	\$231.88
2008	-0.43%	-0.71%	5.24%	4.24%	3.97%	11	2.31	\$4,053,410	\$198.16
2007	6.07%	5.77%	6.97%	2.77%	2.77%	11	0.34	\$5,694,671	\$201.78
2006	4.65%	4.35%	4.33%	3.28%	3.21%	11	0.12	\$5,006,832	\$187.45
2005	2.86%	2.58%	2.43%	4.16%	4.07%	10	0.04	\$3,411,837	\$170.28
2004	4.93%	4.64%	4.34%	4.26%	4.28%	8	0.10	\$3,063,625	\$143.77
2003	5.29%	4.99%	4.10%	4.15%	4.20%	8	0.16	\$2,741,126	\$150.79
2002	10.43%	10.13%	10.26%	3.34%	3.35%	8	0.17	\$2,909,321	\$150.45
2001	8.71%	8.34%	8.44%	3.42%	3.34%	8	0.17	\$2,939,103	\$140.04
2000	11.19%	10.75%	11.63%	3.11%	3.01%	9	0.29	\$3,252,499	\$129.31
1999	-0.28%	-0.65%	-0.82%	3.27%	3.20%	7	0.18	\$2,774,504	\$185.30
1998	8.57%	8.19%	8.69%	3.59%	3.52%	7	NM	\$1,959,243	\$130.90
1997	9.94%	9.55%	9.65%	4.06%	4.00%	5	NM	\$1,975,222	\$119.50
1996	3.83%	3.46%	3.63%	4.62%	4.59%	5	NM	\$1,913,732	\$105.60
1995	18.88%	18.47%	18.47%	4.31%	4.24%	7	NM	\$1,843,739	\$100.80
1994	-3.06%	-3.40%	-2.92%	4.18%	3.99%	fewer than 5	NM	\$1,428,647	\$87.70
1993	10.30%	9.92%	9.75%	3.61%	3.31%	fewer than 5	NM	\$1,455,248	\$93.70
1992	7.92%	7.55%	7.40%			fewer than 5	NM	\$1,377,754	\$76.30
1991	16.63%	16.23%	16.00%			fewer than 5	NM	\$441,053	\$73.00

Period Ending 12/31/2016	Composite (Gross)	Composite (Net)	Benchmark
1 Year	3.80%	3.51%	2.65%
3 Year	3.71%	3.42%	3.03%
5 Year	3.44%	3.15%	2.23%
10 Year	5.33%	5.04%	4.34%
Since January 1, 1991	6.61%	6.27%	6.02%

The inception date of the composite is January 1, 1991.



As of December 31, 2016

PGIM Fixed Income claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. PGIM Fixed Income has been independently verified for the periods January 1, 1993 through December 31, 2015.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Core Fixed Income composite has been examined for the periods January 1, 1993 through December 31, 2015. The verification and performance examination reports are available upon request.

Notes

1. PGIM Fixed Income (the "Firm") is a global asset manager primarily focused on public fixed income investments whose U.S. business operates as a unit of PGIM, Inc. PGIM, Inc. is an investment adviser registered with the United States Securities and Exchange Commission. The Firm is headquartered in Newark, New Jersey and also includes the following businesses: (i) the public fixed income unit within PGIM Limited, located in London; (ii) locally managed assets of Prudential Investment Management Japan Co., Ltd ("PIMJ"), located in Tokyo; and (iii) the public fixed income unit within PGIM (Singapore) Pte. Ltd., located in Singapore. PIMJ has been included within the Firm as of June 30, 2014, resulting in an increase in assets under management (AUM) of approximately \$105 billion. The Firm's list of composite descriptions is available upon request.
2. The Core Fixed Income Composite includes all portfolios managed with similar investment objectives and risk profiles that are indexed against the Barclays US Aggregate Bond Index, and that focus their strategies on sector allocation and subsector/security selection. Portfolios will primarily hold benchmark securities, although they can also hold limited amounts of non-benchmark securities. The portfolios are managed duration-constrained against the benchmark and seek to outperform the benchmark by approximately 60 bps. Composite returns may include securities lending income. This composite was created on December 31, 1998.
3. Performance results are stated gross and net of model fees. Gross returns do not reflect the deduction of investment advisory fees or any other expenses that may be incurred in the management of the account. Model net returns are calculated monthly by geometrically linking 1/12th of the highest standard advisory fee in effect for the respective period to the gross composite return. The standard advisory fee schedule currently in effect is as follows: 0.28% on the first \$50 million, 0.22% on the next \$100 million, 0.20% on the next \$100 million and 0.15% thereafter. Actual client fees may vary depending on, among other things, the applicable fee schedule and portfolio size. Returns for each client will be reduced by such fees and expenses as described in their individual contract. The Firm's advisory fees (other than fees related to PIMJ) are disclosed in PGIM Fixed Income's SEC Form ADV Part 2A, which is available upon request. Fees related to PIMJ are also available upon request. Fees may be higher for commingled accounts, insurance company separate accounts, and trust, corporate, or bank-owned life insurance products. The composite shown may include accounts that are group annuity or life insurance products issued by The Prudential Insurance Company of America and/or its affiliated insurance subsidiaries. Performance has been calculated in US dollars and reflects the deduction of transaction costs and withholding taxes, if any, and the reinvestment of income. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Past performance is not a guarantee or a reliable indicator of future results.
4. The internal dispersion of annual returns is measured by the standard deviation across the asset-weighted returns of portfolios represented in the composite for a full year. For periods where 5 or fewer accounts were included in the composite for the full year, internal dispersion is not disclosed, as it is not considered meaningful (NM). The three-year annualized standard deviation is calculated using monthly returns and measures the variability of the gross composite and benchmark returns over the preceding 36-month period.
5. The benchmark for this composite is the Bloomberg Barclays US Aggregate Bond Index. The index covers the USD-denominated, investment-grade, fixed-rate or step ups, taxable bond market of SEC-registered securities and includes bonds from the Treasury, Government-Related, Corporate, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS sectors. Securities included in the index must have at least 1 year until final maturity and be rated investment-grade (Baa3/BBB-/BBB-) or better using the middle rating of Moody's, S&P, and Fitch. Source of the index: Bloomberg Barclays. The financial indices referenced herein are provided for informational purposes only. The manager's holdings and portfolio characteristics may differ from those of the benchmark(s). Additional factors impacting the performance displayed herein may include portfolio-rebalancing, the timing of cash flows, and differences in volatility, none of which impact the performance of the financial indices. Financial indices reflect the reinvestment of income, if any, but do not reflect the impact of fees, applicable taxes or trading costs which may reduce the returns shown. You cannot invest directly in an index. The statistical data regarding such indices has been obtained from sources believed to be reliable. Benchmark returns are not covered by the report of independent verifiers.